



MINUTES
Economic Development Authority
April 20, 2021

CALL TO ORDER

The Economic Development Authority meeting was called to order at 5:00 pm.

Due to the COVID-19 health pandemic, the Long Lake Economic Development Authority attended the meeting telephonically pursuant to Minn. Stat. 13D.021.

Present: Chair: Jahn Dyvik; Vice Chair: Lori Goodsell; Board: Tim Hultmann (arrived at 5:09 pm, with prior notice), Mike Feldmann, Gina Joyce, and Deirdre Kvale

Staff Present: City Administrator/Executive Director: Scott Weske; City Attorney: John Thames; and Stacie Kvilvang, Ehlers & Associates

Absent: Mayor: Charlie Miner (with prior notice)

PLEDGE OF ALLEGIANCE

APPROVE AGENDA

A motion was made by Feldmann, seconded by Joyce, to approve the agenda. Ayes: all by roll call.

CONSENT AGENDA

A. Approve Minutes of March 16, 2021 Economic Development Authority Meeting

A motion was made by Feldmann, seconded by Goodsell, to approve the minutes of the March 16, 2021 EDA meeting. Ayes: all by roll call.

OPEN CORRESPONDENCE

Dan Crear, 545 Virginia Avenue and 2045 W Wayzata Boulevard – Mr. Crear stated that everyone along Virginia Avenue was planning on closing on their property sales in advance of 'The Borough' project on April 27, 2021, but they all received a letter today from Mr. Nichols that the closing has been delayed another month to May 20, 2021. He recalled that at the last public hearing at a Council meeting related to 'The Borough' project, there was one Council member who objected to some of the language and he believed that resulted in the delay. He noted that the City Attorney had not been in attendance at that meeting because it was supposed to be a rubber stamp type decision. He expressed his frustration that the property owners are continuing to experience delays which costs them all time and money. He added that he has been before the EDA numerous times expressing his dismay with the continual delays for this project. He stated that the City will lose \$15,000/year in taxes on that parcel that has not been developed for 20 years. He asked the EDA to ensure that there are no more delays and emphasized that this has been very hard on the Virginia Avenue residents. While he cannot speak for all the residents, he conveyed there is a feeling that the EDA just doesn't care about them and feels they are second class citizens. He commented that the City and the EDA can continue to delay the project, but the property owners along Virginia Avenue are the ones that are being punished. He pleaded with the EDA that there be no further delays and that the process is not held up in any way.

Mary Crear, 545 Virginia Avenue and 2405 W Wayzata Boulevard – Ms. Crear stated that the Virginia Avenue neighbors are all tired of trying to figure out where they are and where they will go. She added that some of the property owners have children, parents who are ill, and some of the property owners are ill themselves and their lives are just left hanging because of the continual delays. She indicated that they need the EDA to get this done and not delay any more.

Susan Hitchings, 505 Virginia Avenue – Ms. Hitchings voiced her agreement with Mr. Crear's statements that this has been going on forever and it has been very, very hard on the residents. She stated that she is 64 years old and would like to know what to do in her life, and the EDA and the City keep pushing it and pushing it and it is making the property owners crazy. She added that the closing keeps getting moved and noted that she has boxes all over in her living room but because of the continual delays she cannot make any plans. She commented that she wants to finish this project and be done with it.

Laura Thunell, 455 Virginia Avenue – Ms. Thunell stated that at the prior meeting where the consultant was explaining the TIF and sharing good information, she had gotten the feeling that there were some people who were kind of purposely looking for cracks and ways for the project to not work. She commented that she would like to remind the EDA that this is their life and while she understands that there may be different things that are preferred for this space or that it may not be unfolding exactly as they would like it to, she would hope that opinions about the project don't hold as much weight as the lives of families who have been doing this for years. She stated that it has been a joy working with Mr. Nichols and Mr. Landhauser because she feels they have really been advocating for their needs and hopes that the Council and the City will do the same and not just throw wrenches in the plan for the sake of making it more controversial than it needs to be.

Board member Tim Hultmann arrived to the meeting.

BUSINESS ITEMS

Approval of Amended Site Development Agreement with The Borough, LLC

City Attorney Thames explained that the need for an amended Site Development Agreement was necessitated by the replat. He noted that there were a few areas of the agreement that reference 'two lots' that needed to be changed to 'three lots' although the project itself is basically identical. He also had been informed on what had transpired at the last City Council meeting relative to the vacations requested for the project. To address concerns voiced by the Council, he added paragraph 51 which specifically covers reconveyance of any right-of-way that was vacated as a part of the project. He added that it is actually covered in the right of re-entry section of the agreement, but the additional paragraph makes it abundantly clear.

Board member Kvale asked about the different lot configurations and the portion that is not labeled.

Thames responded that there were some changes necessary based on discussions with Ms. Kviltang of Ehlers & Associates regarding the TIF district requirements. He advised that the project area remains identical, but requires a break down of the plat into three lots rather than two.

Mr. Landhauser noted that the parcel that Board member Kvale was referencing in her question is part of Lot 1.

Board member Kvale sought clarification on what would happen with Lot 2.

Mr. Landhauser replied that Lot 2 is in and a part of the TIF district, however it will not participate as increment until it is redeveloped.

A motion was made by Goodsell, seconded by Hultmann, to approve the amended Site Development Agreement with The Borough, LLC. Ayes: all by roll call.

Approval of Tax Increment Financing (TIF) District I-9 (The Borough), Interfund Loan Approval, and Approval of TIF Agreement (The Borough)

Stacie Kvilvang, Ehlers & Associates, provided a summary of the proposed TIF district that will be comprised of 10 parcels on the west side of Virginia Avenue. She stated a redevelopment TIF district means that the City can collect tax increment for 25 years after the receipt of the first increment for a total of 26 years. It is anticipated that the first tax increment will be generated in 2023 which means the district would decertify on December 31, 2048 or when the TIF note is satisfied. She noted they are further anticipating that it will expire after 13 years and the TIF be decertified as of December 31, 2035. She reviewed the findings for creation of the TIF district and noted that at least 70% of the district needs to be covered by buildings, parking lots, streets, utilities, sidewalks, etc. There is also a blight test and more than 50% of the buildings have to be considered substandard. She indicated that both findings were reached for this TIF district. She stated that the tax increment budget is a maximum budget which means they take the development and then apply an inflation factor. The EDA will retain 10% of the tax increment to pay for administrative costs but added that it can also be used for other redevelopment activities within the City and noted that this amount is currently about \$10,600/year. She explained that there will be an interfund loan that is required for up to \$50,000 which is to cover any costs that the City may incur before tax increment is actually generated. The developer will pay all of the upfront costs but there may be some early administrative costs which requires there to be an interfund loan in place prior to making any of those expenditures if they are interested in reimbursement with tax increment.

Board member Kvale stated that she has a lot of questions regarding the findings and how they were derived.

Ms. Kvilvang summarized the TIF agreement proposed between the City, the EDA and The Borough, LLC. The developer has deposited \$15,000 with the City to cover the upfront costs such as her time, the TIF attorney's time, as well as creation of the TIF district and explained that this is pretty standard. She noted that if these costs exceed \$15,000, staff will let the developer know and they will increase their contribution until all costs are covered. The project is for a 62-unit townhome rental project that is on seven of the eight existing parcels and the developer has asked that the date for commencement of construction to be moved to August 15, 2021 rather than the end of June. She mentioned that staff does not see that as an issue as it gives the developer time to get closing, financing and their contractors into place. The agreement terms set forth that construction will be completed December 31, 2022, and the City is requiring a minimum assessment agreement on the property so the value as of January 2, 2023 shall not be less than \$13,330,000. The City will create TIF District 1-9 and the developer will receive a pay-as-you-go note in the amount of \$974,000 after providing proof of qualified costs which will be for demolition and land acquisition. The term of the TIF note will be for 13 years and the interest will be paid the lesser of 3.5% or their actual financing rate that they receive for the project. The developer will receive 90% of the tax increment that is generated and the other 10% will be retained by the EDA for administrative or redevelopment costs. She gave an overview of the lookback process.

Chair Dyvik inquired about the note under lookbacks in the examples indicating that the TIF note would be reduced by 50%, and asked if that would be a cost to the City or have any kind of financial impact to the City.

Ms. Kvilvang responded that there would not be a financial impact to the City and explained how it would work if the City only needed to give the developer \$874,000 rather than the \$974,000.

Board member Kvale asked for a review of the amortization schedule that was included in the packet.

Ms. Kvilvang clarified that inflation was built into the amortization schedule in order to get to a maximum budget. She reviewed the amortization schedule and explained the average annual payment.

Chair Dyvik explained that this is money that the developer is paying to the City in taxes and then the City is turning around and reimbursing all but 10% of that money to them.

Ms. Kvilvang stated that the City is providing the developer with a TIF note for \$974,000 and paying 3.5% interest on that. The annual tax increment, 90% of what is generated, is about \$96,000 which will go to pay both principal and interest on the note and explained that the note would be paid off in 13 years.

Chair Dyvik asked how much the City would retain.

Ms. Kvilvang replied that the City would receive about \$10,600/year.

Mr. Nichols, Lifestyle Communities, clarified that amount is just from the property that is considered part of the TIF district and not the other property that generates taxes that will go directly to the City.

Board member Feldmann requested information on what type of things the City could use the \$10,600 for.

Ms. Kvilvang responded that it could be used for staff time, legal or consultant time, utilized for redevelopment costs, and gave examples of buying blighted property or paying for demolition. She pointed out that even after the district is decertified these funds are still restricted for certain uses.

Board member Kvale reiterated that she has a lot of questions on the findings. She stated that, for example, each of the derelict properties has a value assigned for their kitchens and the numbers are all exactly the same even though she is assuming the kitchens are actually different. She listed other examples of price differences listed in the report for water heaters and plumbing.

Ms. Kvilvang clarified that this information is based on the engineer from LHB going out and doing a physical inspection. There will be some deviations on some of the findings but they take their information and input it into a formula bringing in the RS means numbers. She added that she trusts the information that was presented by LHB.

Board member Kvale questioned why all the kitchen prices would be the same.

Ms. Kvilvang replied that it could just be that it is a standardized cost calculation for a kitchen.

Board member Kvale commented that she thinks it needs to be taken into consideration whether the kitchens were all the same square footage and exactly the same.

Ms. Kvilvang indicated that what they are taking into consideration are the code deficiencies and what the reconstruction costs would be from an overall generalization based upon the square footage of the properties and broken down into the various categories.

Board member Kvale continued to ask detailed questions about the information from LHB.

Ms. Kvilvang assured Board member Kvale that LHB did interior inspections of each of the properties.

Board member Kvale stated that she would like to speak with the inspector.

Board member Goodsell indicated that she found the report to be incredibly detailed and this is the first time in the history of serving on this committee that she has received a 170-page packet. She noted that there is page after page of information including pictures from every single home and assumes that there are standard formulas used. She stated that she also assumes that Ms. Kvilvang knows how to do this and that the company that handled the inspections also knows what they are doing. She commented that for her, the information in the report is sufficient.

Board member Kvale noted that there was no plumbing allocation to rebuilding the house.

Ms. Kvilvang stated that she would happy to have the inspector come and answer some of the more detailed questions but assured the EDA that this is a standard format that they go through with their inspections and noted that they detail everything with their photographs and comments with regard to the properties.

A motion was made by Hultmann, seconded by Goodsell, to adopt Resolution No. 2021-17 approving the modification of the Redevelopment Plan and Redevelopment Project Area #1, approving the establishment of Tax Increment Financing District 1-9 for The Borough, LLC, approving the tax increment financing plan therefore, authorizing an interfund loan, and authorizing the execution of a TIF development agreement.

Board member Kvale indicated that she still has a lot of questions and feels that this document can be challenged in court.

Ben Landhauser, Lifestyle Communities, explained that the whole intent of doing the review of those properties was to identify code deficiencies and costs related to how those deficiencies could be corrected. He clarified that if they are within a certain parameter to bring them up to code that is a percentage of the total value of that structure, that deems whether or not the structure qualifies.

Board member Kvale stressed that she is questioning the numbers for how much it costs to bring it up to code.

Mr. Landhauser stated that to address her concern that the plumbing amounts were not included, that information was not needed to demonstrate that those homes were within a certain dollar amount to bring it up to code.

Board member Kvale listed off some additional questions about things like the cost per square foot of the homes and the unit costs for materials.

Roll Call Vote: Ayes - Hultmann, Goodsell, Feldmann, Joyce, Dyvik. Nay – Kvale. Motion carried.

Chair Dyvik suggested that Board member Kvale contact the inspector to try to get some answers to her more specific questions.

Application for EDA Review – (Updated Concept) 1905 W Wayzata Boulevard Property: Spell Capital Partners, LLC, Three-Story Commercial Office Building (One Level Above Ground Parking/Two Levels of Office Space)

Michael Margulies, Valerian, LLC on behalf of Spell Capital Partners, LLC, introduced himself and Dean Davolis of DJR Architecture. Mr. Margulies explained that they have revised their site plan for the proposed project at 1905 W Wayzata Boulevard and are still in the concept stage so he understands that there will most likely be things that will need to be tweaked. He added that they felt their plans have advanced enough since the previous meeting that they would like to show their updated concept to the EDA in order to continue discussion on their proposal.

Dean Davolis, DJR, gave a brief overview of their project and noted that they had simplified their design and reduced its size at the request of the EDA. He noted that they tried to pull back from their original contemporary design but wanted to keep a lot of glass and used punched openings that are closer to the City's design guidelines. He indicated that they eliminated one of the stories and the building is now 50,000 square feet with 33 parking spaces. He added that they have designed the lobby to be oversized in order to accommodate some retail space, such as a coffee shop. He reviewed each floor configuration and layout and some of the materials they would like to use.

Chair Dyvik questioned whether Mr. Davolis' client was okay with the scaled down size of the building and whether they would have enough room for their needs.

Mr. Davolis replied that they did support it and explained that originally they were planning to have some subtenants, but with the scaled down version, it would just be for their own office space.

Board member Hultmann asked if Mr. Davolis had checked with Hennepin County with regard to egress in and out for vehicles onto County Road 112.

Mr. Davolis responded that they will have to work with the County to confirm it with them but noted that it may require some negotiation.

The EDA discussed various parking requirements for the building.

Board member Feldmann expressed concern over the quantity of parking spaces versus the amount of office space proposed.

Board member Goodsell commented that she likes the idea of having this building in Long Lake and appreciates that the size has been stepped back from their previous proposal. She stated that it is important to her that the property be developed correctly and that it appears the way they want it to look. She added that she does not want to scare them off from working with the City, but asked if they would consider tweaking their design a bit further so it would blend in more with the City.

Mr. Davolis indicated that they could do some things to make it look a bit more traditional, such as add awnings, but noted that they do not want it to look like "old town" style.

Board member Goodsell recalled that the survey of residents showed that they overwhelmingly wanted a 'village-type feel' and she would like to honor that.

Board member Joyce agreed and suggested that perhaps there could be a village/modern mix and include something like arched windows to give it more of a village feel.

Mr. Davolis responded that he could add some awnings to soften the look and have some type of brick that will give it some character. He reflected that he thinks by making some of these changes the concept will get close to what the EDA would like to see while also giving the client what they would like. He mentioned that the client was fascinated with the Bridgewater Bank building that they did on Excelsior Boulevard. He noted that if the request from the City is to make the building look like something in Stillwater, he could not do that.

Board member Hultmann suggested that they contact Paul Backer, Hennepin County Project Manager, to make sure that they can access parking the way they are proposing.

Executive Director Weske noted that the County did put in a concrete curb and gutter when they reconstructed the County road so he would assume that they are fine with that access point. He added that they will not be able to have parking on Wayzata Boulevard W and he believes that there will be difficulty with the parking calculations.

Board member Kvale stated that she agreed that the parking will be an issue and commented that the numbers presented seem a bit off.

The EDA discussed ways to move forward in considering options for this site.

Weske reported that in the past the EDA has entered into an 'executive negotiations' period which allows one on one conversations and disallows continued applications for EDA review while they are in negotiations.

Chair Dyvik confirmed that moving into executive negotiations would not commit the EDA to selling the property or approving this project, but just to go further down the road to see if it will work.

City Attorney Thames discussed the next steps if the City would like to proceed with an executive negotiation period. He noted that Board member Feldmann brought up the parking issue and he would agree with the EDA that parking is probably the biggest gap in the concept right now. He cautioned the EDA to remember that there are deed restrictions that do not allow anything other than slab on grade construction on this property.

Board member Joyce indicated that the Village Design Guidelines are important to the community, but she really appreciates the consideration for potential retail in the lobby space.

A motion was made by Hultmann, seconded by Goodsell, to enter into executive negotiations for 90 days with Valerian, LLC, Spell Capital Partners and DJR Architecture. Ayes: all by roll call.

Chair Dyvik suggested the possibility of bringing Barry Petit in to consult on the design of this building.

Board member Goodsell stated that she would feel better having an architect representing what the City has voted on.

Board member Joyce voiced support for Mr. Petit's review.

Weske recommended that the EDA work towards getting comfortable with the proposed parking and use before bringing in final design issues. He stated that he doesn't want to get too far ahead when there are some rather large hurdles to get over.

OTHER BUSINESS

No other business was discussed.

ADJOURN

Hearing no objection, Chair Dyvik adjourned the meeting by general consent at 6:29 pm.

Respectfully submitted,
Scott Weske, Executive Director